

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Spencer	County Kent
Fiscal Year End March 31, 2007	Opinion Date May 21, 2007	Date Audit Report Submitted to State June 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

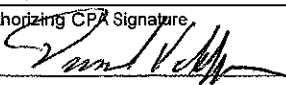
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Not considered necessary	
Other (Describe)	<input checked="" type="checkbox"/>	Internal control communication	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

Township of Spencer
Kent County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Spencer, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Spencer, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Spencer, Michigan, as of March 31, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 15 through 17, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Spencer, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

May 21, 2007

BASIC FINANCIAL STATEMENTS

Township of Spencer
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 683,300
Receivables	<u>75,869</u>
Total current assets	<u>759,169</u>
Noncurrent assets:	
Capital assets not being depreciated	26,000
Capital assets, net of accumulated depreciation	<u>1,090,495</u>
Total noncurrent assets	<u>1,116,495</u>
Total assets	<u>1,875,664</u>
LIABILITIES	
Current liabilities:	
Accounts payable	5,190
Customer deposits	13,564
Note payable	<u>21,280</u>
Total current liabilities	40,034
Noncurrent liabilities - note payable	<u>55,979</u>
Total liabilities	<u>96,013</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,039,236
Restricted for:	
Public safety	202,585
Public works	67,671
Unrestricted	<u>470,159</u>
Total net assets	<u>\$ 1,779,651</u>

See notes to financial statements

Township of Spencer
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs					
Governmental activities:					
Legislative	\$ 10,000	\$ -	\$ -	\$ -	\$ (10,000)
General government	263,980	42,747	-	-	(221,233)
Public safety	200,430	69,628	-	-	(130,802)
Public works	41,561	26,856	6,245	-	(8,460)
Community and economic development	26,768	-	-	-	(26,768)
Interest on long-term debt	<u>4,371</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,371)</u>
Total governmental activities	<u>\$547,110</u>	<u>\$ 139,231</u>	<u>\$ 6,245</u>	<u>\$ -</u>	<u>(401,634)</u>
General revenues:					
Property taxes					263,134
State shared revenue					250,671
Franchise fees					7,138
Interest income					43,029
Other					<u>7,746</u>
Total general revenues					<u>571,718</u>
Change in net assets					170,084
Net assets - beginning					<u>1,609,567</u>
Net assets - ending					<u>\$ 1,779,651</u>

See notes to financial statements

Township of Spencer
BALANCE SHEET - governmental funds
March 31, 2007

	Major funds		Total governmental funds
	General	Fire	
ASSETS			
Cash	\$ 492,612	\$ 190,688	\$ 683,300
Receivables	61,754	14,115	75,869
Due from other funds	1,381	-	1,381
Total assets	<u>\$ 555,747</u>	<u>\$ 204,803</u>	<u>\$ 760,550</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,353	\$ 837	\$ 5,190
Due to other funds	-	1,381	1,381
Customer deposits	13,564	-	13,564
Total liabilities	<u>17,917</u>	<u>2,218</u>	<u>20,135</u>
Fund balances:			
Reserved for public works	67,671	-	67,671
Unreserved	470,159	202,585	672,744
Total fund balances	<u>537,830</u>	<u>202,585</u>	<u>740,415</u>
Total liabilities and fund balances	<u>\$ 555,747</u>	<u>\$ 204,803</u>	<u>\$ 760,550</u>
Total fund balances			\$ 740,415

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

1,116,495

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

(77,259)

Net assets of *governmental activities*

\$ 1,779,651

See notes to financial statements

Township of Spencer**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	Major funds		Total governmental funds
	General	Fire	
REVENUES			
Property taxes	\$ 139,869	\$ 162,540	\$ 302,409
Licenses and permits	69,266	-	69,266
State grants	256,916	-	256,916
Charges for services	2,522	7,500	10,022
Interest and rentals	39,149	4,830	43,979
Other:			
Special assessments	26,856	-	26,856
Miscellaneous	2,383	5,363	7,746
Total revenues	536,961	180,233	717,194
EXPENDITURES			
Legislative	10,000	-	10,000
General government	246,629	-	246,629
Public safety	54,231	96,011	150,242
Public works	261,486	-	261,486
Community and economic development	26,768	-	26,768
Capital outlay	13,135	23,412	36,547
Debt service:			
Principal	-	20,254	20,254
Interest	-	4,371	4,371
Total expenditures	612,249	144,048	756,297
NET CHANGES IN FUND BALANCES	(75,288)	36,185	(39,103)
FUND BALANCES - BEGINNING	613,118	166,400	779,518
FUND BALANCES - ENDING	\$ 537,830	\$ 202,585	\$ 740,415

See notes to financial statements

Township of Spencer

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

	<i>Total governmental funds</i>
	<hr/>
Net change in fund balances - total governmental funds	\$ (39,103)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Assets acquired, net of dispositions	256,583
Provision for depreciation	(67,650)
Long-term debt - principal repayment	<hr/> 20,254
Change in net assets of <i>governmental activities</i>	<hr/> <hr/> \$ 170,084

See notes to financial statements

Township of Spencer
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Spencer, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Spencer
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the proceeds of specific revenue sources that are legally restricted for expenditures for public safety purposes. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Shared road costs	40 years

Township of Spencer
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (Continued):

iv) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The Township had the following significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public works	\$ 146,540	\$ 261,486	\$ (114,946)

NOTE 3 - CASH:

Deposits with financial institutions:

The cash balances of the Township's governmental activities, which consist entirely of deposits with financial institutions, amount to \$683,300 at year end. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. As of March 31, 2007, \$509,397 of the Township's bank balances of \$709,397 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Spencer
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables, as of year end, for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Total</u>
General	\$ 11,179	\$ 2,707	\$ 42,822	\$ 5,046	\$ 61,754
Fire	<u>14,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,115</u>
Totals	<u>\$ 25,294</u>	<u>\$ 2,707</u>	<u>\$ 42,822</u>	<u>\$ 5,046</u>	<u>\$ 75,869</u>

All receivables are current and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 26,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,000</u>
Capital assets being depreciated:				
Buildings and improvements	633,408	10,900	-	644,308
Shared road costs	30,426	219,764	-	250,190
Equipment	<u>620,191</u>	<u>28,032</u>	<u>(2,224)</u>	<u>645,999</u>
Subtotal	<u>1,284,025</u>	<u>258,696</u>	<u>(2,224)</u>	<u>1,540,497</u>
Less accumulated depreciation for:				
Buildings and improvements	(114,527)	(12,759)	-	(127,286)
Shared road costs	(254)	(1,863)	-	(2,117)
Equipment	<u>(267,682)</u>	<u>(53,028)</u>	<u>111</u>	<u>(320,599)</u>
Subtotal	<u>(382,463)</u>	<u>(67,650)</u>	<u>111</u>	<u>(450,002)</u>
Total capital assets being depreciated, net	<u>901,562</u>	<u>191,046</u>	<u>(2,113)</u>	<u>1,090,495</u>
Governmental activities capital assets, net	<u>\$ 927,562</u>	<u>\$ 191,046</u>	<u>\$ (2,113)</u>	<u>\$ 1,116,495</u>

Township of Spencer
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 17,462
Public safety	<u>50,188</u>
Total	<u>\$ 67,650</u>

NOTE 6 - LONG-TERM DEBT:

At March 31, 2007, long-term debt is comprised of the following individual issue:

Governmental activities:	
\$108,874, 2005 installment purchase agreement with Chase Equipment Leasing, Inc. - payable in monthly installments of \$2,052, bearing interest at 4.95% per annum, through August 2010	
	<u>\$ 77,259</u>

Long-term debt activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Installment purchase agreement	<u>\$ 97,513</u>	<u>\$ -</u>	<u>\$ (20,254)</u>	<u>\$ 77,259</u>	<u>\$ 21,280</u>

At March 31, 2007, debt service requirements were as follows:

<u>Year ended June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 21,280	\$ 3,344
2009	22,358	2,266
2010	23,488	1,136
2011	<u>10,133</u>	<u>129</u>
Totals	<u>\$ 77,259</u>	<u>\$ 6,875</u>

Township of Spencer
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides retirement benefits for all of its eligible employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment and may contribute to the plan. Contributions range from \$250 to \$2,500 per employee, depending upon annual compensation. The Township's contributions are fully vested immediately. All costs associated with the plan are paid currently.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. Accordingly, plan assets and changes therein are not reported in these financial statements.

The Township made the required contributions of \$24,594 for the year ended March 31, 2007.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 62,128
Expenses	<u>(54,231)</u>
Excess of revenues over expenses	<u>\$ 7,897</u>

NOTE 10 - RESTRICTED NET ASSETS:

Net assets of the governmental activities, as of March 31, 2007, are restricted for the following purposes:

Public safety - fire protection	<u>\$ 202,585</u>
Public works:	
Right-of-way (Metro Act)	12,877
Weed control	<u>54,794</u>
Total public works	<u>67,671</u>
Total restricted net assets	<u>\$ 270,256</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Spencer
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 134,620	\$ 134,620	\$ 139,869	\$ 5,249
Licenses and permits	67,880	67,880	69,266	1,386
State grants	226,500	226,500	256,916	30,416
Charges for services	5,500	5,500	2,522	(2,978)
Interest and rentals	19,000	19,000	39,149	20,149
Other:				
Special assessments	22,200	22,200	26,856	4,656
Miscellaneous	1,000	1,000	2,383	1,383
Total revenues	<u>476,700</u>	<u>476,700</u>	<u>536,961</u>	<u>60,261</u>
EXPENDITURES				
Legislative	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
General government:				
Supervisor	25,500	21,790	21,772	18
Elections	6,500	7,385	7,378	7
Assessor	30,500	26,760	26,743	17
Clerk	30,500	30,200	30,190	10
Board of review	1,800	1,440	1,428	12
Treasurer	31,500	28,520	28,476	44
Hall and grounds	44,000	47,170	47,772	(602)
Cemetery	3,000	2,340	4,800	(2,460)
Administration	<u>97,800</u>	<u>90,140</u>	<u>78,070</u>	<u>12,070</u>
Total general government	<u>271,100</u>	<u>255,745</u>	<u>246,629</u>	<u>9,116</u>
Public safety - building inspections	<u>54,000</u>	<u>54,270</u>	<u>54,231</u>	<u>39</u>
Public works:				
Road improvements	100,000	120,730	235,727	(114,997)
Weed control	<u>27,000</u>	<u>25,810</u>	<u>25,759</u>	<u>51</u>
Total public works	<u>127,000</u>	<u>146,540</u>	<u>261,486</u>	<u>(114,946)</u>

Township of Spencer
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 24,100	\$ 26,780	\$ 26,768	\$ 12
Capital outlay	20,500	13,365	13,135	230
Total expenditures	506,700	506,700	612,249	(105,549)
NET CHANGE IN FUND BALANCES	(30,000)	(30,000)	(75,288)	(45,288)
FUND BALANCES - BEGINNING	613,118	613,118	613,118	-
FUND BALANCES - ENDING	<u>\$ 583,118</u>	<u>\$ 583,118</u>	<u>\$ 537,830</u>	<u>\$ (45,288)</u>

Township of Spencer
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 157,000	\$ 157,000	\$ 162,540	\$ 5,540
Charges for services	7,500	7,500	7,500	-
Interest	2,000	2,000	4,830	2,830
Other	4,500	4,500	5,363	863
Total revenues	<u>171,000</u>	<u>171,000</u>	<u>180,233</u>	<u>9,233</u>
EXPENDITURES				
Public safety	121,000	121,000	96,011	24,989
Capital outlay	25,000	25,000	23,412	1,588
Debt service:				
Principal	20,000	20,000	20,254	(254)
Interest	5,000	5,000	4,371	629
Total expenditures	<u>171,000</u>	<u>171,000</u>	<u>144,048</u>	<u>26,952</u>
NET CHANGE IN FUND BALANCES	-	-	36,185	36,185
FUND BALANCES - BEGINNING	<u>166,400</u>	<u>166,400</u>	<u>166,400</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 166,400</u>	<u>\$ 166,400</u>	<u>\$ 202,585</u>	<u>\$ 36,185</u>

**Members of the Township Board
Township of Spencer, Michigan**

In planning and performing our audit of the financial statements of the Township of Spencer as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Spencer's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Spencer and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

May 21, 2007